

107TH CONGRESS  
1ST SESSION

# H. R. 2599

To spur job growth by reducing individual capital gains rates and to make permanent the Economic Growth and Tax Relief Act of 2001.

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IN THE HOUSE OF REPRESENTATIVES

JULY 23, 2001

Mr. TOOMEY introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To spur job growth by reducing individual capital gains rates and to make permanent the Economic Growth and Tax Relief Act of 2001.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Tax Relief Improve-  
5       ment Act of 2001”.

6       **SEC. 2. REDUCED CAPITAL GAINS RATE FOR INDIVIDUALS.**

7       (a) IN GENERAL.—Subsection (h) of section 1 of the  
8       Internal Revenue Code of 1986 (relating to maximum cap-  
9       ital gains rate) is amended to read as follows:

10       “(h) MAXIMUM CAPITAL GAINS RATE.—

1           “(1) IN GENERAL.—If a taxpayer has a net  
2           capital gain for any taxable year, the tax imposed by  
3           this section for such taxable year shall not exceed  
4           the sum of—

5                   “(A) a tax computed at the rates and in  
6                   the same manner as if this subsection had not  
7                   been enacted on taxable income reduced by the  
8                   net capital gain,

9                   “(B) 7.5 percent of so much of the tax-  
10                  payer’s net capital gain (or, if less, taxable in-  
11                  come) as does not exceed the excess (if any)  
12                  of—

13                   “(i) the amount of taxable income  
14                   which would (without regard to this para-  
15                   graph) be taxed at a rate of 15 percent or  
16                   less, over

17                   “(ii) the amount on which tax is de-  
18                   termined under subparagraph (A), plus

19                   “(C) 15 percent of the taxpayer’s net cap-  
20                  ital gain (or, if less, taxable income) in excess  
21                  of the amount of capital gain on which tax is  
22                  determined under subparagraph (B).

23           “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT  
24           AS INVESTMENT INCOME.—For purposes of this sub-  
25           section, the net capital gain for any taxable year

1 shall be reduced (but not below zero) by the amount  
 2 which the taxpayer elects to take into account as in-  
 3 vestment income under section 163(d)(4)(B)(iii).”

4 (b) MINIMUM TAX.—

5 (1) IN GENERAL.—Subparagraph (A) of section  
 6 55(b)(1) of such Code is amended by redesignating  
 7 clauses (ii) and (iii) as clauses (iii) and (iv), respec-  
 8 tively, and by inserting after clause (i) the following  
 9 new clause:

10 “(ii) MAXIMUM RATE OF TAX ON NET  
 11 CAPITAL GAIN.—The amount determined  
 12 under the first sentence of clause (i) shall  
 13 not exceed the sum of—

14 “(I) the amount determined  
 15 under such first sentence computed at  
 16 the rates and in the same manner as  
 17 if this clause had not been enacted on  
 18 the taxable excess reduced by the net  
 19 capital gain, plus

20 “(II) a tax of 15 percent of the  
 21 lesser of the net capital gain or the  
 22 taxable excess.”

23 (2) CONFORMING AMENDMENT.—Clause (iii) of  
 24 section 55(a)(1)(A) of such Code (as redesignated by

1 paragraph (1)) is amended by striking “clause (i)”  
2 and inserting “this subparagraph”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Section 1202 of such Code (relating to 50-  
5 percent exclusion for gain from certain small busi-  
6 ness stock) is hereby repealed.

7 (2)(A) Subsection (a) of section 57 of such  
8 Code is amended by striking paragraph (7).

9 (B) Subclause (II) of section 53(d)(1)(B)(ii) of  
10 such Code is amended by striking “, (5), and (7)”  
11 and inserting “and (5)”.

12 (3) Paragraph (1) of section 170(e) of such  
13 Code is amended by striking “the amount of gain”  
14 in the material following subparagraph (B)(ii) and  
15 inserting “50 percent (80 percent in the case of a  
16 corporation) of the amount of gain”.

17 (4) Paragraph (2) of section 172(d) of such  
18 Code is amended to read as follows:

19 “(2) CAPITAL GAINS AND LOSSES OF TAX-  
20 PAYERS OTHER THAN CORPORATIONS.—In the case  
21 of a taxpayer other than a corporation, the amount  
22 deductible on account of losses from sales or ex-  
23 changes of capital assets shall not exceed the  
24 amount includible on account of gains from sales or  
25 exchanges of capital assets.”

1           (5) Paragraph (4) of section 642(c) of such  
2 Code is amended by striking the first sentence.

3           (6) Paragraph (3) of section 643(a) of such  
4 Code is amended by striking the last sentence.

5           (7) Paragraph (4) of section 691(c) of such  
6 Code is amended by striking “1202,”.

7           (8) The second sentence of section 871(a)(2) of  
8 such Code is amended by striking “such gains and  
9 losses shall be determined without regard to section  
10 1202 and”.

11          (9) Subsection (a) of section 1044 of such Code  
12 is amended by striking the last sentence.

13          (10) Paragraph (1) of section 1445(e) of such  
14 Code is amended by striking “28 percent” and in-  
15 serting “15 percent”.

16          (11) Section 6652 of such Code is amended by  
17 striking subsection (k) and by redesignating sub-  
18 sections (l) and (m) as subsections (k) and (l), re-  
19 spectively.

20          (12)(A) The second sentence of section  
21 7518(g)(6)(A) of such Code is amended by striking  
22 “28 percent” and inserting “15 percent”.

23          (B) The second sentence of section  
24 607(h)(6)(A) of the Merchant Marine Act, 1936 is

1 amended by striking “28 percent” and inserting “15  
2 percent”.

3 (13) The table of sections for part I of sub-  
4 chapter P of chapter 1 of such Code is amended by  
5 striking the item relating to section 1202.

6 (d) EFFECTIVE DATES.—

7 (1) IN GENERAL.—Except as provided in para-  
8 graph (2), the amendments made by this section  
9 shall apply to taxable years beginning after Decem-  
10 ber 31, 2001.

11 (2) WITHHOLDING.—The amendment made by  
12 subsection (c)(10) shall apply to amounts paid after  
13 December 31, 2001.

14 **SEC. 3. REPEAL OF SUNSETS OF ECONOMIC GROWTH AND**  
15 **TAX RELIEF RECONCILIATION ACT OF 2001.**

16 (a) IN GENERAL.—Title IX of the Economic Growth  
17 and Tax Relief Reconciliation Act of 2001 (Public Law  
18 107–16) is hereby repealed.

19 (b) DEDUCTION FOR HIGHER EDUCATION EXPENSES  
20 MADE PERMANENT.—

21 (1) IN GENERAL.—Section 222 of the Internal  
22 Revenue Code of 1986 is amended by striking sub-  
23 section (e).

24 (2) CONFORMING AMENDMENT.—Subparagraph  
25 (B) of section 222(b)(2) of such Code is amended—

1 (A) by striking “or 2005” and inserting  
2 “or thereafter”, and

3 (B) by striking “AND 2005” in the heading  
4 and inserting “AND THEREAFTER”.

5 (c) NONREFUNDABLE CREDIT TO CERTAIN INDIVID-  
6 UALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBU-  
7 TIONS MADE PERMANENT.—Section 25B of such Code is  
8 amended by striking subsection (g).

9 (d) INCREASE IN ALTERNATIVE MINIMUM TAX EX-  
10 EMPTION MADE PERMANENT.—

11 (1) Subparagraph (A) of section 55(d)(1) of  
12 such Code (relating to exemption amount for tax-  
13 payers other than corporations) is amended by strik-  
14 ing “\$45,000 (\$49,000 in the case of taxable years  
15 beginning in 2001, 2002, 2003, and 2004)” and in-  
16 serting “\$49,000”.

17 (2) Subparagraph (B) of section 55(d)(1) of  
18 such Code (relating to exemption amount for tax-  
19 payers other than corporations) is amended by strik-  
20 ing “\$33,750 (\$35,750 in the case of taxable years  
21 beginning in 2001, 2002, 2003, and 2004)” and in-  
22 serting “\$35,750”.

23 (e) EFFECTIVE DATE.—The amendments made by  
24 this section shall take effect as if included in the provisions

1 of the Economic Growth and Tax Relief Reconciliation Act  
2 of 2001 to which they relate.

